

Sugar-Sweetened Beverage Distribution Tax Implementation Update

April 4, 2017

Purpose and Agenda

- Purpose: Provide an update on SSB Tax implementation and seek direction on several policy issues
- Agenda:
 - Background
 - Policy Issues
 - Preliminary Tax Revenue Spending Strategy
 - Health Equity Advisory Committee Recommendation

Background

- Ballot Issue 2H created an excise tax of two cents per ounce on the first distributor in any chain of distribution of drinks with added sugar or other caloric sweeteners.
- Ordinance 8130 was adopted conditional on the passage of 2H, and created a new chapter in Title 3, “Revenue and Taxation,” B.R.C. 1981 to implemented the tax.

Background

- Allowed uses of tax revenue:
 - Administrative costs
 - Health promotion
 - General wellness programs and chronic disease prevention in the city that improve health equity

Background

- Allowed uses of tax revenue (cont'd):
 - Other health programs especially for residents with low income and the most affected by chronic disease linked to sugary drink consumption

Stakeholder Engagement

- Current:
 - Peer city conference calls
 - Weekly distributor conference calls
 - Boulder Chamber
 - Healthy Boulder Kids
- Upcoming:
 - Retailers/restaurants/vendors
 - Consumers

Policy Issue:

Out-of-City Distributors

- Purchase of beverage products from a non-registered distributor without a “nexus,” or physical presence in Boulder.
- Question: Should the city look for approaches to ensure tax collection on products from non-registered distributors outside of the city?

Policy Issue:

Small Retailers

- Purchase of beverage products outside of the city by small retailers
- Question: Should the city consider creating an exemption for small retailers?

Policy Issue: Products Distributed Out of Boulder

- Distribution of products out of the city following an initial taxable distribution
- Question: Should the city consider exempting products that are distributed outside of Boulder following the initial distribution?

Policy Issue: Syrups + Powders

- Calculation of tax on syrups and powders
 - Largest volume approach vs.
 - Manufacturer's recommended serving size approach
- Question:
 - Should the city use the manufacturer's recommended serving size approach instead of the largest volume approach to calculate the tax amount?

Current Exemptions

- Sweeteners sold separately to the consumer at a grocery store
- Milk products
- Baby formula
- Alcohol
- Drinks taken for medical reasons

Additional Exemptions?

- Fermented drinks (e.g. kombucha)
- Mixers for alcoholic beverages
- Syrups used to produce customized beverages
- Additional health-related beverages

Preliminary Spending Strategy

- 2017: Expanding existing city + community programs (including programs that do not currently receive City of Boulder funding).
- 2018 + Beyond: Expand and create new city + community programs, partnerships and collaborations.

Health Equity Advisory Committee

- Proposal: Create a staff-appointed 7 member advisory committee whose purpose includes:
 - Define desired outcomes and key indicators
 - Provide recommendations on what existing city and community programs could be expanded in 2017

Health Equity Advisory Committee

- Provide recommendations on what existing or **new** city and community programs/collaborations could be expanded or created in future years
- Provide input on effective outreach strategies to engage residents most affected by chronic disease and other health equity issues

Revenue Spending Questions

- Does Council support the approach for spending 2017 tax revenue on existing city and community programs?
- Should a Health Equity Advisory Committee be formed for the purposes outlined in the proposal?

Next Steps

- May 2: First reading of ordinance changes
- May 16: Second reading of ordinance changes
- Early May: Formation of Health Equity Advisory Committee
- July 1: Implementation date
- 3rd Quarter: Council review of 2017 spending priorities from the Health Equity Advisory Committee

Summary: Policy Questions

1. Should the city look for approaches to ensure tax collection on products from non-registered distributors outside of the city?
2. Should the city consider creating an exemption for small retailers?

Summary: Policy Questions

3. Should the city consider exempting products that are distributed outside of Boulder following the initial distribution?
4. Should the city use the manufacturer's recommended serving size approach instead of the largest volume approach to calculate the tax amount on syrups and powders?

Summary: Revenue Questions

5. Does Council support the approach for spending 2017 tax revenue on existing city and community programs?
6. Should a Health Equity Advisory Committee be formed for the purposes outlined in the proposal?